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C O N F I D E N T I A L SECTION 01 OF 04 ABIDJAN 001176

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TAGS: [EFIN](#) [EAID](#) [PGOV](#) [PREL](#) [IBRD](#) [IMF](#) [IV](#)
SUBJECT: DOES LACK OF DONOR ASSISTANCE EXPLAIN SLOW
PROGRESS ON OPA IMPLEMENTATION?

REF: A. ABIDJAN 1158

[B](#). ABIDJAN 1157
[C](#). ABIDJAN 1036
[D](#). ABIDJAN 765

Classified By: EconChief EMassinga, Reasons 1.4 (b,d)

[1](#). (C) Summary: During a number of recent public events, President Gbagbo and Prime Minister Soro have blamed slow implementation of the Ougadougou Peace Agreement (OPA) on a lack of international donor assistance. The Prime Minister and President both made this assertion in meetings with the Deputy Secretary (ref b) and evidently made similar statements in a November 16 meeting with Louis Michel, the EU's Commissioner for Development and Humanitarian Affairs. Embassy reps have spoken with various sources in Abidjan to determine if the PM's claims are true. Based on our discussions, there appear to be two fundamental problems: 1) an inability (or unwillingness) on the part of the GoCDI to use existing government resources to finance the 'sortie de crise' (crisis resolution) program and 2) GoCDI failure to honor the conditions set forth by donors. Sufficient funding to implement key elements of the OPA appears to be available; there does not appear to be sufficient funding to implement the OPA and simultaneously finance all of the other priorities and initiatives the government is hoping for. End Summary

[2](#). (C) In response to criticism from the international community about slow implementation of the Ougadougou Peace Agreement (OPA), government leaders from President Gbagbo and Prime Minister Soro on down have asserted that donors' unwillingness to provide funding is the problem. As reported in ref a, PM Soro recently convoked the diplomatic community to address the same issue, stressing that deployment to date of only 25 of 111 planned audiences foraines teams was due to insufficient finances. The reality is otherwise, and this fact was noted publicly by visiting EU Commissioner Louis Michel. The Ministry of Finance has indeed nearly exhausted its budget for the first phase of the identification process, but an IMF post-conflict agreement is in place and functioning. Half of the USD120 million promised in budgetary support has been disbursed. Funding is also available from the World Bank and the EU but has not been touched due to poor financial management by the GoCDI. At the same time, the Ministry of Finance is aggressively raising funds on the regional bond market and preparing the groundwork for what they hope will be substantial debt relief in 2008. The Presidency continues to control revenue distribution, leaving

the Prime Minister, a novice at fiscal matters, on the hot seat for failing to deliver more quickly on OPA promises.

The Government's Spending So Far on Audiences Foraines

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13. (C) The government has identified a global need of USD 556 million for the sortie de crise, and has, according to figures compiled by the Prime Minister's office, raised a total of USD 401 million, combining the government's own revenues with assistance from the international community. On the discrete issue of the audiences foraines, the Ministry of Finance has announced that of the approximately US\$ 20 million it budgeted for the process, USD 14.5 million has already been spent. Only 25 audiences foraines teams have been deployed (see septel on the PM's plan to jump-start the process). In public comments during his November 16-17 visit, Louis Michel noted that the government does not lack resources to put into motion either the audiences foraines or other elements of the sortie de crise package. The was likely a reference not just to the remaining 5.5 million budgeted for the audiences foraines, but also to the fact that the GoCDI continues to finance lavish travel and other expenditures by favored government officials while portraying itself publicly as strapped for cash.

The IMF

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14. (C) Contrary to claims that all the international financial institutions have failed to provide promised assistance, the IMF has a USD120 million Emergency Post Conflict Assistance program underway. In a recent discussion with Ambassador, IMF Country Director Phillipe Egoume said

ABIDJAN 00001176 002 OF 004

the program was approved in July, and the first tranche of USD60 million was disbursed August 3. This assistance is essentially direct support to the nation's treasury to help it meet current expenditures. For the Finance Ministry to use the disbursed funds, it must have the IMF Country Director "countersign." According to the Country Director, this system has worked acceptably well so far. The second tranche of USD60 million is due to be disbursed in January, 2008, but Cote d'Ivoire will still have to meet certain conditions in order to "regularize" its relationship with the IMF and trigger the resumption of a normal program. In essence, The key condition is that Cote d'Ivoire will need to pay USD240million in arrears to the World Bank.

15. (C) Egoume expressed serious concern about the outlook for the 2008 budget, saying he anticipated a serious funding gap. (Note: An IMF Mission currently in Cote d'Ivoire will give donors a full read out on November 26) He pointed out that the government has promised bureaucrats a salary increases but did know how this would be treated in the budget alongside 'crisis recovery' programs such as the Service Civique, which the Prime Minister and President have both called a top priority. The IMF rep agreed with the government's approach to debt relief, saying that at this point in time Cote d'Ivoire simply cannot re-start debt servicing without significantly impacting other programs.

World Bank

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16. (C) Ambassador Nesbitt and EconOff met with World Bank Resident Representative Barnard Harbone on November 14 to discuss, inter alia, the Bank's financial support for the sortie de crise. The Bank signed on to the same package as did the IMF in July 2007 which formally (but not fully) reengaged the IFIs in Cote d'Ivoire and through which the Bank pledged USD120 million to finance the reintegration of youths and vulnerable persons. This is not the same as the

traditional reintegration element of DDR as assistance will be given to communities rather than individuals. The Bank's program will also cover community rehabilitation and rehabilitation of the civil registries, the latter in coordination with the EU. Cote d'Ivoire has met the financial part of the July agreement, prefinancing its arrears clearance package through the end of 2007 (total arrears this summer reached USD 480 million). The government's failure to meet one central condition, however, has resulted in no/no WB post conflict assistance money having been disbursed to date.

17. (C) Harbone explained that the Prime Minister's Office, which has the lead for the entire government on crisis recovery, is also the World Bank's main partner in this program. The Bank's agreement with the PM's office calls for a crisis recovery committee and committee chair to be established via a competitive, transparent hiring process. Instead of observing this requirement, the PM and/or his staff, selected a committee chair (Daniel Ouattara) who is a friend of the PM and set up a committee using a completely internal and un-transparent process. The Bank has refused to disburse through this committee and insisted that the originally agreed upon procedure be followed. According to Harbone, a recent threat by the Bank to select a different primary partner convinced the PM to act after months of stalemate, and he has agreed to establish a new committee through a transparent process. Several related steps must be taken. The Prime Minister must issue a decree providing a legal basis for the new committee (Bank sources report a draft is waiting for Soro's signature for when he returns from his current swing through the north) and must advertise openly for a public auditor of the new committee (the ads have been placed and the Bank has already begun receiving bids). There should also be an advertisement for a committee chair. The Bank's estimate is that a committee probably cannot be in place before January 2008, meaning disbursement will be delayed until then, at the earliest.

18. (C) The Bank, along with the Fund and the African Development Bank, are pushing through several audits of the oil and gas sector along with the cocoa sector. Those should be completed and presented to the respective Boards in

ABIDJAN 00001176 003 OF 004

December. If the Boards accept the fiscal controls proposed and Cote d'Ivoire is current on its arrears package, the Bank staff intend to present in late January to the Bank Board a plan to possibly move forward with HIPC (the Highly Indebted Poor Countries initiative) by, tentatively, the summer of 2008. This would help relieve the country of its enormous debt load (USD 18 billion, including bilateral, multilateral and commercial). Harbone warned that the country needs to tap the Bank's USD 120 million post conflict assistant package and make it to HIPC by the summer, as debt payments on the arrears will reach USD 50 million by February, a level that will be unsustainable by the Ministry of Finance for very long.

EU
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19. (C) The Commission has expressed willingness to finance directly the audiences foraines, and has a package of USD 16 million for that purpose, along with an equal sum for the identification process and eventual organization of elections. The EU's funds can be used to pay per diems and other operational costs of the teams, however, the Commission has been adamant that it will not buy vehicles for the audiences foraines teams. The government's sortie de crise committee had initially said it would arrange for the transportation needs of the audiences foraines, but now claims it is "unable" to finance the required vehicles. According to the EU resident representative, the only hurdle to the government tapping funds the EU is ready to provide is

its own inability to mobilize the resources necessary to purchase vehicles and/or other means of transporting the audiences foraines teams around the country. EU Rep Arrion told the Ambassdor in late October that the PM and his staff are both extremely inexperienced in fiscal management; Arrion thought the failure to use EU funding was due almost entirely to poor financial management and lack of experience in dealing with donors.

¶10. (SBU) Aside from sortie de crise assistance from the IFIs, and the EU, bilateral donors are providing some support, but much of that is tied to making initial progress or is only loosely tied to the political process. Japan has pledged USD 22 million to rehabilitate the civil registries and organize the presidential and legislative elections, but intends much of that assistance to be in the form of computer and software provision to organize the relevant databases. France is has pledged USD 23 million, but 90 percent of that is for community rehabilitation and development projects vaguely associated with the sortie de crise program. Germany has USD 7 million on the table to support NGOs engaged in "national reconciliation", and Switzerland has USD 15 million available that is currently unbudgeted. For its part, the African Development Bank has a USD 30 million project in the works to aid the government's sortie de crise project through restoration of public services in the north, but has been frustrated by slow development of a specific implementation plan by the government.

Cote d'Ivoire's Successful Commercial Bond Issuance =====

¶11. (C) In stark contrast to the difficulties the Prime Minister and his staff have had managing the crisis recovery program, the Ministry of Finance proudly announced that in September, it had successfully floated bonds on the regional market that will eventually generate CFA 225 billion (USD 508 million). The Ministry of Finance is run by a extremely competent staff and led by a loyal Gbagbo supporter. A well-placed banker at a U.S. financial institution operating in Cote d'Ivoire reports that the bond issuance offered slightly over 6.5 percent, maturing in two years. In a meeting with the Ambassador, the IMF Country Director had expressed some doubt that the Ministry of Treasury would be able to raise its targeted amount, but the U.S. banker said that not only had the Ministry succeeded, but that it would be soon offering another bond to raise an additional USD 100 million in the near future. According to the U.S. banker, the money raised thus far is to pay off the World Bank arrears entirely.

¶12. (C) According to the U.S. banker, and corroborated by several other international financial executives based in

ABIDJAN 00001176 004 OF 004

Abidjan, once Cote d'Ivoire clears its arrears with the IFIs, it plans to borrow on the international, vice regional, debt market. Moreover, the long-rumored deal involving JP Morgan and the Ivorian national retirement system (CNPS in French), in which CNPS would be recapitalized in exchange for discounted non-performing government bonds, is apparently being looked at seriously again. Under the terms of the potential USD 200 million agreement (reftel d) being discussed, Morgan and the Ministry of Finance would execute it once the arrears to the World Bank and African Development Bank are fully paid.

¶13. (C) Comment: The Prime Minister's Office is struggling to manage the sortie de crise program and has evidently not taken seriously the need to meet conditions attached to certain pots of assistance. He does not have the expertise nor the level of personnel to take control over government revenues to fulfill the PM's mandate to ensure that the audiences foraines and the identification processes are properly carried out. And remarkably, at least according to

World Bank sources, Soro has refused technical assistance to help him and his team more fully understand and engage in the budgeting process. At the same time, the Ministry of Finance appears to be moving aggressively on its own track to clear arrears and set the stage for large scale debt relief. The Ministry also appears to be avoiding major new commitments to finance the end of Cote d'Ivoire's long-running political crisis. This situation underscores the co-habitational nature of this government and reminds us that while Gbagbo and Soro have established a national unity government that is still very divided in terms of how it operates on a day-to-day basis. End Comment.

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